



1919



Economic Conditions Governmental Finance United States Securities

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European Affairs.

THE elections in Germany showed that in point of numbers and real importance the so-called Spartacus group, which tried to imitate the tactics of the Bolsheviks, was insignificant, probably not five per cent. of the population of the country. They voted with the independent Socialists, but cannot be credited with all of the votes cast by that party, which was sixth, and last of all parties, in the poll. They attempted with extraordinary conceit and audacity to prevent the election of a representative General Assembly and assume the government of the country. Apparently the great body of the people had no sympathy with revolutionary methods. The parties under various names other than Socialist have elected a majority of the General Assembly, but the moderate Socialists have a strong plurality and with the co-operation of the Democratic party or old Liberal element, will doubtless control the government. The outlook seems good for the firm establishment of a Republic of moderate policies with which the Allies may safely deal. Industrial disorder is still serious, through the continued agitation by the radicals, and the economic recovery of the country is delayed thereby. Great hardship results to the masses of the people.

The Peace Conference has asked all the governments and factions which are claiming authority in Russia to send representatives to a meeting with representatives of the Conference. The proposal, which was drafted by President Wilson, gives assurance that the Allies do not wish to impose their will upon the people of Russia, but only to aid them in establishing order and peace, which of course is the case. The policy adopted in seeking the conference is one over which opinions inevitably differ. It is understood to have been favored by the American and English delegates and viewed with misgivings by the French. It is difficult to see how there can be any agreement or compromise between the Bolsheviks and the elements who oppose them, for it is the policy of the former to tolerate no opposition. The first step toward the reorganization of

Russia presumably would be to have an election for the formation of a government representing all the people. A constituent assembly was elected in 1917 but the Bolsheviks refused to allow it to function. Perhaps the Peace Conference is moving in what it conceives to be the orderly way to call for the establishment of a responsible government by democratic methods. In that event the invitation is preliminary, whether accepted or not, to the development of a policy.

League of Nations.

The Conference has adopted by unanimous vote the proposal offered by President Wilson and seconded by Lloyd-George, the British Premier, for the formation of a permanent League of Nations for the consideration of international interests. There was nothing in the speeches of the President or the Premier to justify the apprehensions of those who have argued that grave complications were likely to develop from the establishment of a world organization. It is not likely that any super-state vested with vague and sweeping powers will be created, but it is manifestly impossible that when the deliberations of this Conference come to an end, and the final adjournment is had, there shall be no organization representing these nations to succeed it.

The reorganization of the nations of Europe which is foreshadowed and already in part accomplished cannot be merely set up by this Conference, and then left to any fate, without support or sponsorship from the hands that have ordained it. That would be a policy of egregious folly. Incidental to this reorganization there will be many difficult questions to settle which will require time and the friendly offices of the powers who are chiefly responsible for the new order. Boundary questions, debt obligations, differences of race, language and religion, the resentments springing from past relations, the clash of economic interests, with antagonisms and rivalries of every kind, would instantly threaten the permanency of the settlement and the peace of Europe. The President is right in saying that the Confer-

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ence can only establish the processes of settlement; it cannot finish the task, nor can it abandon the task and go home with no provision for its completion.

The United States cannot disown or disregard its own responsibility in this settlement. It has had as large a share as any nation in dictating the reorganization of Europe. It is certainly too late to say that we have no interest in the affairs of that continent; our casualty list and our new national debt testify that we have assumed an interest in them. We have found it necessary to enter a European war, with the beginnings of which we had nothing to do, and the terms of settlement to which we have already subscribed were thought necessary to secure the fruits of our victory. Surely no argument is required now to show that we should not withdraw from the situation or from conference and co-operation with the nations with which we have been associated.

Is It Impracticable?

And it is not a long step or an illogical one from a conference over matters directly involved in this peace settlement to the consideration of other affairs of international concern, which may affect the attitude of nations toward each other and possibly the peace of the world. It is now regarded a good thing in the commercial world for rivals and competitors to get together around a table and thresh out the differences and grievances which inevitably arise among them. It is better than to whisper and magnify them, adopt retaliatory measures or try to strike the first blow. The objection that a world organization is impracticable naturally raises a question as to what could be more impracticable than this which has been going on in Europe for the last four years or the secret diplomacy and competition in armaments which led up to it? It would seem to be time to make at least a cautious attempt to see what can be done by open consideration of every question which involves a conflict of interests, including appropriations for armaments and war stores, and the means for peacefully adjusting disputes.

Of course if such a Conference extends its view to matters which concern nations not heretofore represented in the body, those nations would naturally claim the right to participate in the deliberations. If an organization thus formed is what is contemplated in the League of Nations, it is difficult to see why it should not be welcomed as a step forward from the state of world anarchy or group alliances, which has existed in the past. It is true that the development of policies, and of some degree of concerted action and even of authority, would naturally follow, but that is no more than we are already morally committed to in the settlement of the issues directly related to the war, and we can safely trust ourselves to

deal with other questions as they arise. It is not likely that this or any other country will be asked to consent to the impairment of its sovereignty, or to put its decision upon any grave issues of the future beyond its own determination at that time.

The main argument for such an organization is not that it would have great powers of coercion, but that in order to maintain its authority every policy adopted would have to be based upon universal principles of equity and command the practically united support of enlightened judgment everywhere. Here is the court of last resort and the final security for the liberty and peace of the world. The late imperial powers of Europe know this now.

Business Conditions.

Payments through the clearing houses have shown no falling off, but for the week ended January 22 were the greatest on record, a fact probably due to the heavy Treasury disbursements. Travel is heavy, but freight traffic both in raw materials and merchandise is falling off. Undoubtedly a reaction from the war activity has set in, and may be expected to continue at least until the spring outdoor activities open up. It should be borne in mind that this is the season of the year for slack trade and that the mild weather has affected the distribution of some classes of merchandise. Ordinary trade for private consumption is in fair volume, but there is no large demand to take the place of the war business which has suddenly dropped out. The obvious difference between the peace demand and the war demand is that the latter is willing to wait if there is a prospect for lower prices a little later, as most buyers seem to think there is. Jobbers and retailers are buying from hand to mouth, and manufacturers are doing the same with raw materials, all trying to work off stocks and keep them as low as possible. The situation is therefore just reversed from what it was during the war, when the upward trend of prices prompted dealers to buy well ahead of their needs. Under the present conditions stock comes on the market from unsuspected sources, and with a slack demand, prices give way.

There is no mystery in the situation or occasion for surprise over it. On the contrary developments are just as might have been expected. No general change has occurred except that demand in nearly all lines has suddenly fallen off, and surely everyone knew that this would occur when the war came to an end. Business always hesitates in the face of a fundamental change. It came nearly to a dead halt when the war broke out although all experience had shown that war invariably causes great industrial activity and high prices. The transition period from war to peace is inevitably one of uncertainty. Men wait to see what others

do. Prices are expected to fall; how much nobody can tell, but the natural impulse is to delay purchases.

January is not an active month in trade at any time, but a month for clearing up and taking stock both of goods and prospects. Buyers are never indifferent very long without making some sellers anxious, and this was sure to be the case when accompanied by the cancellation of government contracts and enormous contraction of war demands which followed the signing of the armistice. The Government had bought and held in its warehouses great quantities of materials and goods which it would not use and which therefore hung over the market. Nobody knew at first what policy the Government would pursue. Such a situation develops different opinions, and of course all parties are not in the same position. Buyers have the upper hand, and those who want to sell must make concessions. Moreover, the announcement of a reduction of prices at first does little more than unsettle the market. It merely gives notice that the downward movement has begun, and perhaps makes buyers more timid than before.

The *Textile World-Journal* gives an instance which illustrates the situation:

Indicating the evil effects in unsettling the minds of buyers of yarn by cutting prices, and thus causing them to refuse to buy at all, looking for still further prices, a story is told of a certain knitter who was in the market for a good-sized order of 60's two-ply mercerized combed peeler. The buyer had always given a preference to a certain mercerizer, who in turn was also glad to quote him as close a price as possible. They had sold this same yarn at \$1.42½ the week before, but in order to hold the business they quoted him \$1.40. The buyer told them that a quotation had been made to him of \$1.35, and after getting in touch with his mill, the mercerizer met this price by close figuring. He was then told the first salesman had made a quotation of \$1.34, and rather than lose the business, this price was met, only to learn that a still lower price had been named of \$1.30. This decided the buyer, and he was through, and refused absolutely to buy for the present.

An instance of this kind shows that the trade is floundering about, not knowing where solid ground lies. Present trading does not tell very much as to where prices will ultimately go, because the influences which finally will establish the level are not yet fully developed.

The first cut all around is into the profits of the seller, and profits are affected not only by price reductions but by reductions in the volume of business, which increases the percentage of overhead. After profits are eliminated, as they are already in some important lines, there is a pause to see how costs can be cut, and this is the fundamental question now, for on the whole costs will govern prices.

Cotton and Woolen Goods.

One of the surprises has been in cotton and cotton goods. It had been generally believed that with the end of the war there would be a great foreign demand for both, but confidence in this demand seems to have largely diminished. The fall in raw cotton since early in September has been from 15 to 18 cents per pound, and the cuts upon cotton goods during the past month have been from 16 to 35 per

cent. In view of the decline in the raw material the declines in finished goods are not as significant of a change in the industrial situation as at first might appear. Moreover, it is not certain that this decline in cotton is justified, for although military operations are over, the blockade against Central Europe is still maintained and the cotton mills of France and Belgium are not yet in position to resume making cloth. The shipping situation has been unfavorable to large exports, not only because ships were otherwise needed, but because sharp reductions in charges were anticipated. On the 27th of January new rates upon general freight between here and European ports, only one-third previous charges, were put into effect and on cotton the rate from South Atlantic ports was reduced from \$4.50 to \$1.25 per hundred pounds, causing a temporary rally in the cotton price. An official restriction has been in force upon goods manufactured in Lancashire and in December a strike was on, but the strike has been settled, and the restrictions partially removed. During the fall months exports of cotton ran considerably below those of corresponding period of 1917, but in the last two months they have been gaining, and from August 1st to February 1st are practically the same as last year. The world's visible supply is about 325,000 bales larger than a year ago and about 570,000 bales smaller than two years ago.

Export Trade.

The general shipping situation and price situation has been such as to keep down a normal export trade in cotton goods. Before the armistice shipping facilities were so poor that orders could not be forwarded and there was a great accumulation of goods at the ports. After the armistice there arose the probability of reductions both in freight and prices and millions of dollars worth of orders were cancelled by cable and in many instances where the goods had gone forward they were rejected upon arrival. Nor were cancellations confined to foreign orders. It does not certainly follow, however, from these cancellations that the goods will not be wanted; price determination for the moment is uppermost. The markets of the world are not yet opened up, and the influences which have been expected to make prices are not yet effective. It cannot be supposed that the present state of demand is an index to what it will be throughout this year.

When the peace treaty is signed cotton will be wanted for the mills in Germany and Austria, and when the mills in Belgium and the devastated districts of France are restored cotton will be wanted for them, and some of the best informed people in the trade believe that there will be a good export business in cotton goods from this country to Europe before many months have past.

A Labor Controversy.

Another factor in the textile industry is the reduction of working time from 54 hours per week to 48 which takes effect February 3, by agreement in the principal Massachusetts mill centers. By a compromise pay is reduced to correspond with the reduction of time, but costs to the mills will be higher because overhead costs will be charged against a smaller production, and the fact that this agreement has been reached indicates that labor costs will not be reduced in the near future.

There is no available wool in this country except that owned by the Government which is mainly of coarse quality, not suitable for fine goods. After holding several unsuccessful sales in which it tried to save itself by means of minimum prices, the authorities dropped the minimum about 25 per cent, and has since held several successful sales, the wool going exclusively to manufacturers who had orders in hand. The Government minimum is at parity with the British Government's selling prices, and this places woolen manufacturers on a fairly stable basis until the new wool crop in this country comes on, when the Government has promised to discontinue sales until the domestic crop is worked off. Business is still slow, however, in the woolen goods market.

The knit goods situation is also in doubt, and at a large meeting held in New York last month after an interchange of views between manufacturers and jobbers a resolution was passed that buyers be protected upon prices to July 1, provided that one-half a manufacturer's average annual production to American trade is sold by that time.

Steel and Other Metals.

In iron and steel, prices are down about 10 per cent. Prices are far above what they were before the war, but so are costs, and further reductions probably would not stimulate business at the moment. Wage increases have been large and the leaders in the industry say they will not ask for reductions while the cost of living remains at the present level. The mills are operating at about 70 per cent. of capacity, which is not bad in view of the increase of capacity in the last four years, but they are running mainly on old orders and booking but few new ones. The prospect now is that operations will be further reduced before they are increased. A big demand for steel is always for construction work, and as this represents permanent investment it is not likely to go forward in a large way on the present level of costs.

Copper is down from 26 cents to 23, with small dealings at lower figures, but the situation is affected unfavorably by the large stocks held by the governments, and by the talk of copper salvage in the war territory. On the other

hand there has been a large consumption in Belgium and Germany of copper taken from buildings and other uses where it will be sooner or later replaced, and all reconstruction work will require copper. Permanent reconstruction work has scarcely begun. In Belgium and France it lags on action by the governments and the settlement of indemnities. Germany is still closed to importations, and in eastern Europe conditions are chaotic. The mines are curtailing copper production. Lead is down to 5¼ cents from 7¼, three months ago.

Foodstuffs.

It is evident that foodstuffs hold a key position in the situation, as there can be no general readjustment of wages without a decline in the cost of food. This has been started sooner than expected, partly because the ending of the war works a radical change in the future outlook, and partly because of a large accumulation of stocks in this country and diminished purchases by the Allies. It is not necessary to carry as large stocks in the allied countries as before, and furthermore England has sent great fleets to Argentina and Australia for grain and meats already purchased there. At the same time the most active season of the year for marketing live stock and grain was on in this country and the rapid accumulations became a load which dealers were timid about carrying. The situation was uncertain and artificial, with foreign sales depending upon the action of governments and the granting of credits, and the latter depending in turn upon the action of Congress. Everybody agrees that foodstuffs will come down after the present situation in Europe is over, and there has been a disposition to anticipate the movement. The greatest drop has been in corn, which has suffered from reports that cargoes were being loaded in Buenos Aires for this market, and a fear that the Government would lower or abandon the fixed price on bags. Corn is down about 40 cents per bushel in a few months, and oats about 25 cents. Wheat is sustained by the Government price. The open winter is a bearish influence on dairy products, and butter is down about 20 cents per pound. Eggs are down proportionately, and most vegetables are lower.

Meanwhile, as in the case of cotton and cotton goods, it is not certain in view of the world situation that the decline of foodstuffs is not premature. The interior and eastern parts of Europe, where the greatest food scarcity exists, have not been opened up to importations, although they must be soon or starvation will ensue. The Inter-Allied Food Council at Paris has recommended that the enemy countries be allowed to import 70,000 tons of pork monthly, beginning at once, and Mr. Hoover sends warning that there is great danger in assuming that the food shortage is over. Outside of Germany there is destitution throughout the 60,000,000 of people who have been set up as new nations. Moreover, while it is not proposed to give food

to Germany we cannot after the peace treaty is signed refuse to sell food to the German people, and their wants will be large.

Meats.

The Food Administration has sought, with wisdom no doubt, to promote the production of fats, of which there is a world-wide scarcity, by fixing a liberal price for hogs, which was done in conference with representatives of farmers' organizations and packers. It has been made an object to grow a good crop of pigs and to bring them to a good weight, although much of last year it was doubtful policy to convert corn into hogs. The fixed price on the latter has been \$17.50 per hundred weight at Chicago, and that the Food Administration believes it still good policy to have corn converted into pork is shown by its having just reaffirmed the price for the month of February. It should be understood that the farmers are just now maturing the crop of hogs which they were encouraged by the fixed price to raise, hence it is but fair to continue the price for the present. Moreover there is good reason to believe that the fixed price will be fully justified by the demand.

Our exports of agricultural products, in quantity and value for the calendar years 1917 and 1918 are given herewith:

	VALUES.	1918	1917
Breadstuffs	\$801,498,000	\$631,989,000	
Meat and dairy products	941,241,000	437,450,000	
Cotton	674,173,000	575,304,000	
	QUANTITIES.		
Breadstuffs—			
Wheat, bushels	111,177,000	106,196,000	
Flour, barrels	21,707,000	13,926,000	
Corn, bushels	39,399,000	52,168,000	
Oats, bushels	98,678,000	114,463,000	
Barley, bushels	18,805,000	17,859,000	
Rye, bushels	7,632,000	13,411,000	
Meats—			
Fresh Beef, lbs.	514,342,000	216,421,000	
Corned Beef, lbs.	141,447,000	63,471,000	
Pickled Beef, lbs.	44,208,000	67,811,000	
Bacon, lbs.	1,104,788,000	578,128,000	
Hams and Shoulders, lbs.	537,213,000	243,587,000	
Lard, lbs.	548,818,000	372,721,000	
Neutral Lard, lbs.	6,307,000	9,423,000	
Pickled Pork, lbs.	36,472,000	39,294,000	
Lard Compounds, lbs.	43,976,000	49,300,000	
Oleo Oil, lbs.	69,106,000	33,400,000	
Cotton, bales	4,112,000	4,819,000	
Condensed Milk, pounds.	551,140,000	428,575,000	

These figures do not include supplies for the American army shipped in Government vessels.

The Food Administration estimates that this country will be called upon for 50 per cent greater exports in 1919. The grain crops of Europe are mainly sown in the fall. The numbers of live stock, particularly hogs, have been greatly reduced, and the central countries are large consumers of pork.

The marketings of all kinds of live stock in the United States increased in 1918. On the ten leading markets, the sales of cattle increased 10.87 per cent., of hogs 18.62 per cent. and of sheep 12.31 per cent. The Government's estimates for hogs on farms at the beginning of 1919 are 75,587,000, against 70,978,000 at the

beginning of 1918. Cattle and sheep about the same as a year ago.

After the Next Harvest.

We would repeat that the outlook is for an abundant supply of foodstuffs and lower prices after the next crop is harvested. The present stocks of wheat in the United States are the largest ever known, but the Food Administration believes that there will be only a small carry-over into the next crop year. The acreage of winter wheat in this country is 17 per cent. above last year's, and up to this time the conditions of plant and soil are ideal for a big yield, but there is no snow covering, and severe weather might work injury. The Government's price guaranty, as it stands, will cover the spring wheat crop of this year which is not yet planted, and as it is the only farm product under a price guaranty through the year, the planting probably will be large, if the guaranty is not modified. Nobody is wise enough to foretell how much the wheat guaranty will cost the Treasury. It depends upon crops this year over the world. The Secretary of Agriculture is asking a fund of \$1,250,000,000 to carry out the terms. If the Food Administrator is correct in his estimates of the foreign demand it will not cost nearly that much, but the authorities should be in position to make good on the Government's pledges.

The Food Administration holds that there is no justification for reducing the price of wheat upon the present crop, as a reduction probably would be followed by an advance when the foreign markets are opened.

General Commodity Prices.

On the whole it does not appear probable that general commodity prices will continue a headlong decline to the level of before the war. We see no reason to alter our previously expressed opinions that the tendency after the end of the war would be downward, but that it would be impossible to reduce costs rapidly to the old level. They are not going to be reduced rapidly in other countries. Freight charges have just been largely reduced on the ocean, but not to pre-war rates, and railway charges are not being reduced at all. Profits are being sacrificed, and production curtailed, but the fundamental conditions which are necessary to prices much below those now existing have not been established here, still less in Europe.

Abroad, industrial conditions are chaotic. Labor is not only unwilling to accept reductions, but is aggressive in its demands for higher pay and shorter hours. Moreover, the hoped-for gain in efficiency to offset the higher wages of war time is not likely to be realized upon peace work, at least immediately. On the contrary labor appears to be in such a belligerent and unruly mood that the older labor leaders are alarmed over the situation. These conditions will not lower costs upon manufactured goods,

although they will lessen the demand and perhaps lower prices for some raw materials.

Finally, the great underlying fact in the situation is the world-shortage of goods, following four years in which production has been devoted mainly to war supplies, and the need of raw materials and equipment for reconstruction.

Wages and Costs.

In this country, wage rates are generally maintained, and most employers wish to maintain them at least until a readjustment can be made concurrently with the decline of articles of common consumption. To a great extent wages and prices are interlocked, high prices being due to high wages paid to producers. If the pay of one group of workers is reduced and the prices of their products decline, the consumers of these products are gainers at the expense of that group of workers. The latter then have a just claim that reductions shall be made in the goods which they have to buy. Fairness requires that all shall come down together.

The reductions which will affect the greatest number of people at once are those in foodstuffs and clothing materials. The producers of foodstuffs are so many in number and so widely scattered that any general combination among them to maintain prices has always proved impracticable. Their products respond quickly to the conditions of supply and demand and are now falling, although the world food situation is not yet clear. Certainly they will decline largely by the end of another crop year. But as their products come down the farmers will naturally and reasonably claim reductions in the prices of what they must buy, and this probably will involve wage reductions in other lines.

The Crucial Question.

The crucial question in every industry is not a theoretical or sentimental one, but the practical one whether the products of the industry can be sold in sufficient volume on a given level of prices to afford employment to all the people who are looking for work in that industry. There may be different theories about it in advance, and the opinion of the wage-earners may be as good as that of the proprietors; certainly one side has as good a right to its opinion as the other. But eventually there will be a demonstration, and then it will be good policy for both sides to conform to the results. The public is the final employer, and it doesn't pay anybody to quarrel with the public for not buying his products or giving him employment. The public buys what it pleases to, and the wise man adapts himself to its wishes, and if he cannot attract its patronage at one price or in one line shifts to another price or another line. The labor organizations are definitely of the opinion that it is better for them to put up with part time rather than reduce a wage rate which has been established, and they may be right about it if it takes

a fight every time to get their wages restored. But on the other hand if low production and high prices delay the general recovery of industry by causing a reduction of consumption it is well to remember that the laboring people of the country are suffering on both sides of the dead-lock, for they are the chief body of consumers as well as of wage-earners.

Hours of Labor.

The same is true of the effort on the part of the wage-earners to shorten the work-day. The length of the work-day is a matter for conference and very careful consideration in all its aspects. Is it wise to add to the burdens of industry at this time? We will not affirm that shortening the hours will always reduce the output and increase the cost, because that is a fact which can be determined best by actual test in the different industries. If it does not reduce the output nobody will object to it, and on the other hand if a general reduction of the hours of labor does reduce the output and raise the price of every article of consumption, the laboring people, who are the chief body of consumers, will find the burden inevitably falling upon them, not by contrivance or manipulation, but because they are consumers.

One very large experiment of this kind has been tried in the last two years, by reducing the unit day of railway employees to 8 hours. It is true that the hours of labor were not commonly reduced to 8 hours, but probably nobody ever supposed they would be, and however that may be, railway charges have gone up 25 per cent., and the increase enters into the cost of living of every family in the country.

The effect would be more serious if the hours of trainmen actually had been reduced to 8 hours, because then a larger labor force would be required to operate the roads, and men would be withdrawn from other industries, reducing production and making other living expenses higher.

In saying this we are not pronouncing against the 8-hour day, or assuming to fix the number of hours which should be worked in any industry. We are only stating what must follow if a reduction of the hours makes it necessary to employ more workers to produce a given result. The effect will be distributed over the entire consuming public, and it will be the effect of scarcity. It may be best to reduce the hours of labor in spite of this effect. Perhaps it would be better for the entire population to get along with less of the things they want, and have a shorter work-day, but will everybody be satisfied with this result?

The Economic Argument.

There is of course an amount of exertion, varying with the kind, beyond which the worker deteriorates or fails to recuperate. Certainly labor should not go beyond that. There is no economy in going beyond that, and the best

interests of society forbid it. It has been demonstrated in some industries that men will do approximately as much work in 8 hours as in 10. That ought to settle the question in those industries without argument. In other cases it may be urged that although there may be some decline in production there is a saving of human wear and tear which prolongs the efficiency of the worker. This is a valid argument when supported by the facts. It may be also urged that shorter hours, with more time for leisure and reading, will give a higher class of workmen, who will contribute to the development and efficiency of industry, and thus produce eventually even higher economical results. This likewise is a valid argument, but wherever the proposed action will result in a diminution of output it must be remembered that counter considerations of precisely the same character must be taken into the account. The effect of reducing the supply of goods to consumers—who are the workers themselves—must be weighed against the benefits derived by the same people from working shorter hours.

If a family was living on an island, with no communication with the outside world, supplying all its own wants, the direct relation between its labor and the satisfaction of its wants would be very clear. It would decide for itself whether it would obtain greater benefits by working longer hours or having more leisure. In industrial society the situation is more complicated but the question is the same. If the hours of labor are to be reduced to the extent of curtailing production, everybody should understand just what it means to himself and his own family. What is he willing to give up, that he now has, for shorter hours? Is he willing to do with less milk or butter, or clothing, or house furnishings, or with a smaller apartment, less fuel, or fewer amusements? It comes at last to balancing the value of the things we want against the value of the time we would like to save from labor, measuring both by the same estimate, to wit, how will our highest interests and the progress of society be best promoted?

Cost of Idle Machinery

In many of the modern industries the physical labor is light, consisting of tending machinery which is more or less automatic. Under such conditions evidently labor cannot render as much service in 8 hours as in 10, for the machinery cannot do as much in 8 hours as in 10, and when labor stops the machinery stops, but the overhead charges go on. In the industries where a great investment of capital is necessary to secure high efficiency the overhead is a very important portion of the costs entering into the selling price of the product. In these cases the question arises of the feasibility of having several shifts on the machinery, but against this there are counter influences and particularly the fact that it requires labor in unnatural hours,

which is unfavorable to health, always condemned for women and more costly in various ways.

Competition is necessarily a factor in such questions, but if competition and the question of profits were eliminated there would remain these counter considerations affecting the interest of the consuming public. The cost must be paid by the public, which is by no means a conclusive argument against shorter hours but a fact not to be forgotten.

Balanced Industry.

The argument that shorter hours are needed in order to provide employment for all the workers is valid only as an expedient to help over a temporary situation. No policy that raises costs and curtails distribution can provide more work. Employment is created, consumption is increased and the general comfort promoted by reducing costs. There is plenty of work for all when industry is well balanced and harmonious. In a great factory where thousands of workmen are distributed in numerous departments, but working upon different parts of a joint product, their numbers must be properly adjusted to each other, or there will be idleness. In a shoe factory, for example, there must be no more workmen making heels than are required to heel the shoes made in the other departments, and the industries of a given population must be balanced in like manner. It is possible to over-develop a given industry in proportion to the rest and it is possible to have a temporary derangement of industry from such a cause as the war, but a general state of over-production and unemployment is normally impossible.

Unemployment and Women in Industry.

Unemployment is appearing in the important centers, particularly at points of demobilization. Again it should be remembered that in normal times there is always some unemployment in January and February, when out-of-door pursuits are more or less inactive. Moreover, men have been drawn from the farms and small towns all over the country into the war industries and the naval and military services, and are not inclined to return immediately to their former homes, the more so as at this season there is little for them to do there.

Of course the large number of women recruited into the industries in the last two years affects the situation, although as a general rule men who have been in war service are given their old places when they apply for them. The women, however, like their experience as money-earners, and have no intention of retiring from the field. They have demonstrated their ability in many lines which they had never entered before, and it cannot be doubted that they will remain a larger factor in business life than ever before. Naturally this arouses some antagonism, originating with men who find themselves facing

new competitors, but extending to the sympathetic but uninformed class who are always ready to interfere with the free play of natural forces. In the first place it would be impossible to maintain that women have not as good a right to earn their livelihood and develop their native talents in industry or business as men, or that they are not as competent to say what occupations are suited to them as men are to say for them. Women are full and equal partners in American life, and policies which deny this fact will have to be abandoned.

Competition of Women.

But the theory that the employment of women in industry will reduce the opportunities for men or lower the average wages of men is unsound. It may have that effect in individual instances, just as the introduction of labor-saving machinery does, but on the whole the use of labor-saving machinery is of great benefit to the masses of the people, wage-earners included. Machinery makes labor more productive, and increases the supply of the comforts desired by all, without on the whole reducing the demand for labor at all.

This is fully recognized by the competent leaders of labor. It is a fundamental fact that there is no limit to the demand for the products of labor; indeed all our social unrest is because people want more things than they are able to buy. The problem is to increase the purchasing power of the people and at the same time increase the supply of the desired things, and to give women work in industry accomplishes both these desired ends. If a woman who has not been a money-earner becomes one, or if a woman is advanced to work of higher pay, she becomes a more potential buyer in the markets and creates a new demand for goods, which offsets her labors and her competitive influence in the wage-earning field.

The entrance of women into numerous occupations will also naturally remedy the injustice often complained of, to-wit, the lower wages of women as compared with men. The unfairness of this in the cases of many individuals is admitted, but it has been the natural result of women crowding into a few occupations. The law of supply and demand will not be denied and so long as women, for reasons imaginary or real, are held to be unsuited for many occupations and crowd into a few, wages in those few will be unfavorably affected by the excess of supply over demand.

Governmental Policies.

The various departments of the Government are working with good spirit to minimize the difficulties of the situation, but the inherent weakness of the governmental organization in dealing with a business situation is very apparent. The announcement that the Government's stocks

of goods will not be dumped on the market, but held for the present and disposed of in a manner to cause the least disturbance, has had a good effect. The delays in the settlement of contracts are very trying. The work of the Employment Bureau in placing discharged soldiers is admirable.

The idea that the Government might promptly adopt a constructive policy for dealing with the danger of widespread unemployment has had as yet no adequate development. Secretary Wilson has established in his department a Bureau for the encouragement of public construction by municipalities and other public bodies, and Secretary Redfield has written letters giving public endorsement to the policy of liberal expenditures of this character, but the executive officials can do little themselves without action by Congress. Many Federal buildings for which Congress had made appropriations, but upon which work was suspended or not begun, because of the war, might go forward, but costs have increased so that the original estimates and appropriations are inadequate, hence nothing is doing. Secretary Lane is working diligently upon a comprehensive plan of land development and settlement for soldiers, and it is to be hoped may be able to carry it through and have an appropriation to work with at the opening of spring. Aside from this there is no prospect that the Federal Government will help upon the situation.

The relations of the Federal Government to the railroads is a great misfortune at this time, although we do not mean that it would be better to have the roads tossed forthwith back to the owners, for the latter to struggle alone with all the difficulties in which the Government has involved them. A great amount of work might be advantageously done upon the roads and their terminals, and the industrial situation would be stabilized by such expenditures at this time, but neither the owners nor the Government are prepared to go ahead with them.

The public utility situation is closely related to that of the railways. A great amount of construction work might be done for the utility companies, but there is so little elasticity in the regulation of most of them that at this time when liberality in improvements would be of great public benefit they are obliged to cut improvement expenditures to the lowest possible stage.

A Constructive Program Needed.

There is greatly needed at this time a large and enterprising public policy which would organize and co-ordinate the activities of national, state and local governments, so as to create a large amount of work for the coming spring and summer. After that it is safe to say that the situation will take care of itself, provided unemployment can be averted in the meantime. The prestige and co-operation of the national government is required to develop such a move-

ment, and the good efforts of Secretaries Lane, Wilson and Redfield should be not only supported but enlarged and made a national policy. The railroad and utility companies should be enabled and encouraged to make improvements now, when labor will otherwise be idle and its potential value totally lost to the country. Extra costs are nothing compared with total losses and little compared with war expenditures, and this is the view that communities should take of the proposal. Of course the program should be elastic, so that no more work would be undertaken than necessary for the purpose, but unemployment should be prevented by a public-spirited nation-wide movement.

Effects of Heavy Taxation.

The policy of heavy taxation upon business profits begins now to show its repressive and unfortunate influence. There never was a time when the spirit of courage and enterprise was more needed than now. Secretary Wilson made a strong plea at a New York meeting a few days ago for business men to go ahead with resolution and public spirit to set the wheels of industry turning and provide employment to the wage-earning population. All who heard him realized the force of his arguments and the truth of his warning against the dangers which might develop from widespread idleness and distress. But these are times when serious risks attach to individual policies. The Government can do things in such an emergency, and if the cost is greater than in normal times there is compensation to the public from the benefit that has accrued to the general welfare. But an individual is so small a factor in the general situation that he cannot expect to materially affect it, or to receive any compensation for the losses he may suffer in battling with general tendencies. He wants to avoid losses, or, if he loses part of the time, have a fair prospect of coming out even on the average.

The odds against an investor are very heavy under the taxation proposed in the new law. Should he buy goods, or build, or hire labor for any enterprise? If developments are against him and he loses, the loss is all his own; if he is successful, the Government may claim 50 or 60 or 80 per cent. of the profits. The critics of business will say that what is left is enough. It might be enough if there were no losses, but there is no allowance for losses. It is not easy to keep gains ahead of losses in the business world, without any taxation; who dares move outside of the narrowest and most cautious policies with such odds as present taxation puts against him? Ordinary business in established routine will go on, but the courage which undertakes new enterprises, and which Secretary Wilson appeals to, has very heavy odds against it.

It is obvious that taxes must be heavy for the present, but it is well to understand their effects and to utter a word of caution against their be-

ing made heavier than necessary. If by spreading taxation over a longer period the spirit of enterprise can be revived and stimulated the country will be more prosperous and moderate levies will yield more than heavier ones.

Financial Affairs.

Time money is on a 5½ per cent basis with a limited amount of choice commercial paper going a little lower. Call money is about 4 per cent. The situation has tended toward relaxation throughout the month, although there has been no great decline in rediscounts at the Federal reserve banks, now the best test of banking conditions. On January 3 the total bill-holdings of the reserve banks were \$2,120,133,000 and on January 24 the figures were \$2,046,572,000. On the former date the bills secured by government obligations aggregated \$1,545,274,000 and on January 24, they aggregated \$1,498,298,000; at the former date all other bills, including open market purchases, aggregated \$574,859,000 and on the latter date, \$548,274,000. On December 27 the total holdings of government obligations by member banks of the reserve system were \$2,054,352,000, and on January 17 they were \$2,554,510,000, the increase being in Treasury certificates. "Other loans and investments" of member banks were \$10,316,841,000 on December 27, and \$10,126,378,000 on January 17. The amount of Federal reserve notes in circulation shows a reduction from \$2,647,605,000 on January 3 to \$2,466,556,000 on January 24.

The amounts allotted upon the four war loans thus far issued has been as follows:

First	\$2,000,000,000
Second	3,808,766,150
Third	4,176,516,850
Fourth	6,989,047,000

The fifth loan campaign will be opened in the latter part of April and will be for \$5,000,000,000 or \$6,000,000,000. If the needs of the Treasury are any criterion it will be for the larger sum. Four issues of 4½ per cent. Treasury certificates, in anticipation of the loan, with total subscriptions of \$2,537,718,000, have been distributed, and subscriptions to the fifth issue, which is for a minimum amount of \$600,000,000 are now being received. The rate of interest and other terms of the next loan have not been announced. There is a practically unanimous opinion in banking circles in favor of five years as the time, with opinions ranging from 4½ to 5 per cent. for the rate. It is evident that popular interest in this loan will be much below that in previous ones, and it is urged that to obtain any general participation over the country the rate will have to be 5 per cent. On the other hand it is urged that anything above 4½ will unfavorably affect previous issues and the entire investment market, and that the fact that it is expected to be the last great loan will assure an

early recovery for the market, even though it should be temporarily affected.

Treasury disbursements were only about \$70,000,000 less in January than in December, exclusive of loans to allies. The latter have fallen off appreciably.

The foreign exchange situation is gradually working in the direction of higher valuations on the dollar. It has been below parity with all the Scandinavian countries, and has crossed the line first at Copenhagen. Our advices from Buenos Aires state that a new credit is being arranged there for \$200,000,000 in favor of Great Britain, and newspaper reports say it will be for \$200,000,000 per year for three years. If Argentina grants credits on that scale for the sake of promoting her export trade what may the United States be expected to do?

The profits of the Federal reserve banks for the past year make the so-called "profiteering" corporations look like pikers. The New York bank made net earnings of 100 per cent. on its capital, and with the other banks were very large. These earnings were not made by taking advantage of the situation or by charging exorbitant rates, but as the result of an extraordinary volume of business at low rates. The unusual profits of private business are in large degree attributable to the same conditions, but the reserve banks have one important advantage in the present situation over all private business concerns, to-wit: they do not have to face shrinking values in their inventories.

The Secretary of the Treasury offered on January 14th, and is still receiving subscriptions for an issue of Treasury Certificates maturing June 17, 1919, and receivable in payment of income and excess profits taxes. They bear $4\frac{1}{2}\%$ interest and may be had in denominations of \$500, \$1,000, \$5,000, \$10,000 and \$100,000. A similar issue of Certificates was dated November 7, 1918, maturing March 15, and closed with subscriptions aggregating \$794,172,500.

Organized Society.

A Socialist paper, published in New York, in a recent number gave the following editorial comment, referring to an utterance by an officer of this bank:

_____ of the National City Bank starts off the new year by declaring that the "ultimate purpose" is to minister to the comfort and welfare of the masses." It must be dreadful to look forward to 364 days of such barefaced But, then, his salary is probably commensurate with the painful nature of the job.

The actual statement referred to was as follows:

Upon good understanding between employers and wage-earners prosperity undoubtedly depends. There is no end of the work which ought to be done in the world, and the ultimate purpose of all of it is to minister to the comfort and welfare of the masses.

The sneer is of no importance except as revealing that this Socialist writer is unconscious

of living in a co-operative society, and of the fact that business is successful just in the degree that it makes itself serviceable to the community. Every business depends for success upon its ability to minister to the wants of the public, and must demonstrate that ability and win public favor under the constant test of competitive service. No one has any hold on the public except as he can render service.

No investment is worth anything, or can have standing in any financial market, unless it is based upon a value arising from public service. It must be shown to meet a social need in a manner that will secure at least a share of the popular patronage, and every new business is expected to justify itself by showing that it can render a new or superior service. Old investments lose their value if new ones render better service, and there is the familiar spectacle of long-established business houses passing into decay and oblivion because unable to keep up in service with younger houses in the field. The study of every business organization and every individual entitled to any position in the business world is how to improve the service it is rendering to the public. Any man who has a new idea of practical usefulness to the public has a career assured. Emerson said that if any man could make a mouse-trap better than all others the world would make a beaten track to his door.

Private Enterprise for Public Purposes.

The construction of railways, the boring of tunnels, the building of ships and port works, the opening of mines, the improvement of lands, the building of houses, the development of machinery, the operation of factories, the practice of the professions, the activities of merchants, bankers, brokers and all the specialists developed by the varied wants of the people, are for the purpose of supplying the wants of the public. The fact that compensation is required, and that the primary motive is profit, does not alter the service or validity of the organization. The organization accomplishes an exchange of services. The real pay of each member is not in money but in the services and products of others. Every honest person wishes to give the fair equivalent of what he receives. What is a fair equivalent between widely dissimilar services may be a fair question, but no better method of determining has ever been found than the free bargaining of the market place. Moreover, many complaints of unequal compensation are made in ignorance of real conditions, and without regard to costs and compensations which do not appear on the surface.

The Price of Individual Liberty.

It is not denied that there are many maladjustments in the workings of the industrial organization, but most of them are due to the liberty of choice and freedom of action which is allowed to the individual. Each person is free, so far as

circumstances will permit, to live his own life, providing he does not unduly interfere with others, to choose his occupation, live where he wants to, and in a general way govern his habits and manage his policies as he pleases. Each farmer may plant what he chooses, and if with the vicissitudes of the weather and all market conditions it happens that too many plant one thing, the price for that year may be below the cost of production. And if an undue number of people prefer to live in towns instead of in the country, it may be that the cost of food will become very high as compared with the wages of town industries. Conditions are continually changing in the industries, so that a surplus of labor may develop in given industries and places. In general the responsibility is upon each individual to order his own life and to find the place in the industrial organization where he will be useful; perhaps society might well do more to protect the individual from the vicissitudes with which he must contend, and to help him to achieve his greatest usefulness. That is always a proper subject for consideration, and it grows in importance as population increases and the industries become more specialized.

The Course of Social Evolution.

The business organization is what it is not because it was so planned or any authority or concerted effort made it so, but as the result of natural development under the free play of the evolutionary forces of society. It is still subject to change by the same forces and is changing all of the time. It will surely take the form best adapted to serve the wants of the community as the community itself changes and develops. But this means that it will be gradually changed by the business community itself, through the competitive efforts of many minds to render the most satisfactory service, and not by the plans and agitation of theorists outside of the business community, or by having the business of the country taken over by the political organization.

That the business organization constantly grows more closely co-operative is not to be questioned, nor is there any reason for setting bounds to this natural progress. The joint stock company is a very practical form of co-operation and the most progressive corporations seek the largest possible distribution of their stock among employees. The profits of owners and proprietors, where they exceed living expenses, are returned to industry for its development, thus serving the joint interests of owners, employees and consumers. There could be no industrial progress without profits, and large profits, although generally viewed with such disfavor, result in more rapid industrial and social progress. If the industries were owned outright by the state it would have to provide capital for the development, and as much of it as is provided now, if progress was to go on at the same rate. Mr. Armour testified before a Senate Committee last

week that 71 per cent. of all the profits of the Armour business since it was incorporated had been retained in the business to enlarge its services and we have heretofore noted that in addition to this capital it has sold within the last year \$60,000,000 of preferred stock to the public to raise capital, and borrowed \$150,000,000. To the extent that capital required to enlarge the packing industry is not created by that industry it must be provided from the profits of other industries. Likewise the Government Railroad Administration is asking for \$750,000,000 from the Government as working capital for the roads, and to the extent that capital for operating the roads is not provided by their surplus earnings it must be provided from the surplus earnings of other industries, or transportation service will deteriorate with greater cost to the public than higher rates will impose.

With the increasing supply of capital, however, and the growing development of industry, the distribution of product to the public constantly increases, and the intelligence and capacity of the average man constantly increase, giving him a more potent position in industry and a larger share in its management. He comes into this influence inevitably as he learns how to use it effectively, and nobody can keep him out of it then. Society is thus inherently and inevitably progressive.

Different Kinds of Socialists.

To the theory of socialism which holds that this natural progress will finally lead to complete equality of rewards, or by the development of altruism to the elimination of selfishness, so that individuals will find their chief compensation in working for the common good, there is no need to take issue, but evidently the Bolsheviks and the writer of the above paragraph are not content with this view and have not themselves reached this stage of altruism.

The revolutionary socialists do not like to admit that brains in organization and management are any factor in production or that thrift is a social virtue. They would eliminate recognition and compensation for both. They would get rid of all the leaders in industry, with their pay and their authority. This was the theory upon which the Bolsheviks started out in Russia, but after about six months of experience Nicolas Lenine came to the conclusion that it would be advisable to at least temporarily modify the program. In a statement published in the *Pravda* of Petrograd, April 28, 1918, he said that "the success of the revolution depends on the ability for practical organization." He said that they "must effect a complete change in the mood of the masses," and "turn them to regular, uninterrupted and disciplined labor." He proposed that they purchase the services of "a thousand first-class scientists and specialists" even though they had to pay each of them ten, twenty-five or even fifty thousand

dollars a year, and said they would be cheap at the price.

No doubt they would, but the whole doctrine and purpose of the industrial revolution would be swept off the board, for that is about as much as the capitalists and managers of industry get now for themselves, after allowing for the profits retained in industry for its development. It would not be worth while, even in the United States, where there are more large private fortunes than in any other country, to overturn the whole social order merely to upset the few individuals who spend over \$50,000 per year on themselves and their dependents. Lenine's discovery did not appeal to his followers and was not adopted, so far as we know.

Cooperation a Natural Development.

There is no objection and no serious obstacle from outside to the development of socialism within our present society by those who wish to co-operate with each other. A great many societies have been formed for that purpose, and if the system realized advantages they would have grown. They failed to grow because the promised results were not realized and they restricted the liberty and initiative of their members. It is individual initiative and ambition which carry society forward, but socialists as a rule are not thinking about getting forward. Their minds are fixed on dividing up what there is. There are no end of proposals for mutual house-keeping arrangements, and no doubt economies can be effected thereby, but the average American family would rather have the independence and privacy of its own home.

If employers are an incubus upon industry, there is the possibility of eliminating them by forming co-operative associations among wage-earners. The strong unions accumulate large funds and in some lines certainly could enter business on their own account. And so if middlemen are superfluous they can be dispensed with. Co-operative organizations have achieved some great successes, and the whole field of industry and business is open to them. There is a challenge out constantly for the improvement of the existing business organization. Every method, system and service is open to criticism and competition, and no individual or group is barred from a trial.

Business Organization vs. Political Organization.

There is no better way of trying out proposals to substitute new methods for old than by the competitive test. The most economical and serviceable method should be adopted, but it should prove its superiority, and not expect to be adopted upon a theoretical showing. In many states farmers' mutual companies, for insurance protection, and for the operation of creameries and elevators, are well established. They have demonstrated their service. Other, but less numerous, mutual companies handle live stock,

and merchandise, and great numbers of local banks are controlled by farmer stockholders. All of this is a natural and gratifying development, and nobody can set any bounds to it. The movement is free to go and ought to go as far as it can demonstrate its efficiency, and that may be farther from year to year. If the farmers wish to buy up the stores, mills, packing houses, banks and newspapers in localities where they are able to do it, there is no ground for objection, so long as they use only their own money.

The danger in any movement of this kind is in the substitution of the political organization for the business organization. The successes among co-operative organizations have been made by keeping the control among those who actually contribute to the support of the organization. The successful organizations are independent and self-supporting and do business on business principles. A political organization does not do business on business principles. The qualifications that get a man elected to public office are not necessarily the qualities that make a capable business man. The right to have a voice in the administration of business affairs is not properly based upon the same reasons as the right to have a voice in making of laws affecting personal rights and liberties. The management of a creamery should be in the hands of the owners or patrons of the creamery, and so of other enterprises in which the use of capital is required, or where support is dependent upon the patronage of a portion of the community. This is sound policy not only because it promotes the success of the enterprise, but because it is just and gives a proper recognition and incentive to those who contribute to the success, at the same time laying no burdens upon those who are not directly interested and whose activities and responsibilities are in other lines.

Rights of the Public.

In this great co-operative organization, with groups of people exchanging services with each other and accepting dependence upon each other for mutual advantages, it should be evident that they owe certain obligations to each other. As they all derive benefits from the organization, they are interested in general rules which make for the efficiency of the organization, and they owe loyalty and honest service to it. This is not a question of class interests, but of obligations between people in the same walks of life. The employees of the shoe industry are making shoes for the workers in all the other industries, and if they adopt unreasonable rules increasing the cost of production they are not dealing fairly by their fellows in the other industries with whom they are exchanging products, and this includes nearly everybody in the industrial world.

This obligation to the public has many applications, but one of the most striking was that which appeared during the last month, when the

employees of the municipally operated ferries in New York City struck for no grievance or claims of their own, but to help, by increasing the inconvenience of the public, the union of harbor employees in a contest with private employers. The following letter, addressed by the Mayor of New York City to an official of the Central Federated Union who had complained because steps had been taken to keep the ferries running, gives such a straightforward, illuminating and irresistible statement of the issues involved that we think it should have wide circulation. The statement has the more force in New York City because Mayor Hylan has never been accused of unfriendliness to labor or partiality for capital.

"CITY OF NEW YORK,
"OFFICE OF THE MAYOR.

January 15, 1919.

"Mr. Ernest Bohm, Corresponding Secretary Central Federated Union, No. 210 East Fifth Street, New York City:

"Dear Sir:—I am in receipt of your letter of January 11, in which you assume, on behalf of organized labor in Greater New York, to condemn the action of the city authorities in using city property and city employees to prevent the starvation not only of the wounded soldiers and sailors in the hospitals on Staten Island and in the other public institutions, but *babies and children* as well, who were to be sacrificed if necessary as a cold-blooded piece of strategy as a part of the fight plan of certain labor leaders.

"The city administration and the people of Staten Island had no part in the controversy, neither did the sick and helpless in the hospitals.

"Before the United States Shipping Board in Washington, on November 29, Captain Maher, representing the committee of the marine workers, stated that the municipal ferries were not and would not be involved, and admitted that there was no dispute about the rate of wages nor the hours of employment.

"So far as the city and the municipal ferries were concerned there was no dispute about the rate of wages nor the eight-hour day. The city employees, enjoying the benefit of the civil service, are a favored class. They are protected in their wages and in their hours of labor and in their employment. If, under these circumstances, civil service does not assure the city service, then civil service is a failure.

"President Delehanty, of the Marine Workers' Affiliations, stated, so I am informed, that he recognized the situation of the people of Staten Island, where there were hospitals with sick and wounded, was exceptional, and that they should not be made victims of a fight which was not of their making or under their control.

"Mr. Maher, however, said, 'I will not consent to any change in policy. I do not care how much suffering or inconvenience may come to anybody. The more inconvenience and the more hardships there is inflicted on the people, the better will be our chance of winning.'

"This is a wicked, outrageous, cruel and inhuman policy. The Kaiser, because he had physical power to do so, rode brutally over the unfortunate people of Belgium, regardless of the fact that they were no party to his quarrel, justifying himself on the ground of 'military expediency.'

"Though he gained a temporary success, he lost the respect of the entire civilized world and we can be sure that the American people will not stand for that sort of barbaric warfare on the defenseless and helpless people of any American community.

"When Corporation Counsel Burr called attention to the fact that city employees who accepted the protection of the Civil Service Law had a different obligation than men privately employed, Mr. Maher said, 'I have no regard for the Civil Service Law; the laws are of no use to workmen anyhow; the only laws that are any good are those passed by the unions; they can be enforced by the unions if the unions are strong enough and can be repealed by the unions when necessary without being subject to any interpretation by the courts.'

"Your organizations evidently do not understand the facts or realize that the spokesmen for the unions were satisfied to have organized labor in this country regarded as disciples of Lenin and Trotsky, not only defiant of the law of the land, but willing to sacrifice the lives of people who were not only helpless but in no way responsible for the dispute of the marine workers.

"The action taken by Mr. Maher and his associates with respect to the municipal ferries and the people of Staten Island, and the unlawful attitude in defense of that action, is going to do immense harm to the cause of labor and the municipal ownership and operation of public utilities.

"The municipal employees had no grievance; the municipal ferries run between Staten Island and Manhattan, carrying necessities of life to the permanent residents, as well as to the sick in Sea View Hospital, the wounded soldiers and sailors, the indigent and the poor, and the babies who must have milk or die.

"Many a man who ordinarily would favor municipal ownership is going to hesitate if he is made to feel that because of a dispute between a private employer and a private employee, not related in any way to the public service, every city employee can be arbitrarily ordered out on strike in defiance of law and order.

"I have been for many years, and am, a member of a labor union in good standing, and every sane, practical effort for better hours and better wages for the toiler has my heart's quick sympathy and approval. But the methods of the Bolsheviks and the I. W. W. can only bring us to the condition of Russia.

"Might does not make right, and brutal, strong-arm methods can never win any real substantial victory for the cause of organized labor any more than it did for the Kaiser. Furthermore, the people of this Republic will not stand for it from any man or set of men.

"I know the majority of union men are honest, fair and upright. They do not want the great power of organized labor to ever become the personal weapon of any of their leaders and so an agency for the destruction of the foundations of this great country, any more than they want the profiteer and special privilege seeking interests to rob them of their hard-earned dollar.

"The law of this State places upon the policeman, fireman, engineers and other employees a special duty to protect the health and lives of all the people. They are public servants who must not be interfered with by any special interests or made the agents of any side of any controversy.

"When Mr. Maher reckoned to use his great power to cut off the supplies to the sick and helpless of this community and commanded the city employees to back him up, he not only violated the law of humanity, but by attempting to terrorize the city employees into violating their obligations to all the public, Mr. Maher and these employees ran foul of the penal law regarding conspiracies against the public health. This, among other things, is as follows:

"If two or more persons conspire to commit any act injurious to public health, public morals, or trade or commerce, etc., each of them is guilty of a misdemeanor."

"All signs point to a slowing down of commercial and industrial activity in this country during what is commonly known as the 'readjustment' period. That means we are going to have hard times for a while.

"I am afraid that our great trouble is going to be not rates of wages nor hours of work, but for many to find work at all.

"One of the things that your organization ought to do for its members is to advise them of the likelihood of hard times that may come, so that they may now try to lay aside enough out of their earnings to carry them over the lean period.

"I have a duty to perform under oath of office, and the strong-arm, unlawful methods used by some vicious labor leaders, the profiteers, in the necessities of life, the special privilege seeker and the exploiter of the people, so far as I am concerned, one and all, without discrimination, will be treated as the law directs.

"Let those to whom unionism has been a help and protection in the past watch out that the machinery of organized labor is not discredited and wrecked by Bolshevik ideas and unlawful methods.

"Very truly yours,

"JOHN F. HYLAN,

"Mayor."

Answering another union official who entered a similar complaint the Mayor did not go into the argument so fully as above, but the letter is no less noteworthy. It was brief and to the point, as follows:

Answering your peremptory demand to know "why I took the stand I did" in the recent sympathetic strike of certain city employees, who had no grievance of their own as to wages or hours, I can only offer in explanation, but without apology, a certified copy of my oath of office as Mayor of this city.

It would be unjust to attribute the language quoted by the Mayor in the first letter, or the sentiments thus expressed, to organized labor as a whole. No body of men should be judged by its violent representatives, but it is certainly unfortunate for the cause of organized labor that men lacking in a proper sense of obligations to the public should represent it in a controversy. Labor complains that employers are unwilling to accept collective bargaining, but is it strange that employers should be reluctant to place themselves in the power of men whose methods are so arbitrary? These union officials are probably not as bad men as their language would cause one to suppose, but they are utterly unbalanced upon the subject of winning their fight. They had lost all sense of their relations to the public, and were ready to sacrifice interests vastly more important than their own.

The Bond Market During January.

The bond market during January has been less active than through December, but the volume of business still remains large. Transactions in Liberty Bonds continue to furnish the largest percentage of business on the Stock Exchange. The average price of forty listed bonds, as compiled by *The New York Times*, shows a decline of about one point for the month. The certainty of another Government Loan before we are through with war financing, may have caused a somewhat depressing influence on bond prices. Such factors, however, do not affect intrinsic values.

The three largest issues of the month, \$25,000,000 Anaconda Copper Mining 6% Bonds, due 1929, \$40,000,000 American Telephone and Telegraph 6% Notes, due 1924, and \$25,000,000 New York Telephone 6% Debentures, due 1949, were all quickly sold on bases of 6.25%, 6.17%, and 5.93%, respectively.

Prices for Liberty Bonds, during the month, have shown rather marked declines with the exception of the First and Second 4's, which have advanced on the strength of the Secretary of the Treasury's recommendation that the conversion privilege into First and Second convertible 4½'s be reopened. The downward tendency may be attributed to liquidation by holders of the fourth loan who did not care to make the final payment of 30% due January 30th, to continued selling by small investors, and to a tendency of some large investors to dispose of a part of their holdings.

Municipal Bonds.

The municipal bond market has shown signs of weakness, due perhaps to the decline in the 4% and 4¼% Liberty Bonds to a basis of from 4.45% to 4.80%, depending upon the issue, and also due to the fact that several states and municipalities are in the market for funds.

Local traction bonds have shown a declining tendency. The Brooklyn Rapid Transit receiver-ship has acted as an unfavorable temporary influence, although it is undoubtedly for the best interest of the security holders that the difficulties of the company, due to a large construction program under war conditions, will be worked out under the supervision of the court. The condition of this company, on account of large expenditures for new subways, which do not immediately become self-sustaining, should not be too readily accepted as a condition of Public Utilities in general.

Prices of foreign government bonds have been generally maintained at their high December levels. A large percentage of the \$150,000,000 United Kingdom of Great Britain and Ireland 5½% Notes, due February 1, 1919, are being converted into 20-year 5½% bonds. This fact indicates that our investors are willing to permanently leave their funds in the obligations of foreign governments with sound credit. The gen-

eral interest of investors in foreign securities has increased to such an extent that the New York Stock Exchange now issues a special daily list of closing prices for all listed foreign securities. High grade bonds are still selling on a basis to yield considerably more than can be expected in normal times and unusual investment opportunities are still available in all classes of bonds.

Issues of the Month.

The following issues are the more important offerings made during the month.

- \$40,000,000 American Telephone & Telegraph 6% Notes, due February 1, 1924, at 99¼ and interest, to yield about 6.17%.
- 25,000,000 Anaconda Copper Mining Company 6% Bonds, due January 1, 1929, at 98¼ and interest, yielding 6¼%.
- 1,000,000 Anglo-American Mill Co. 7% Notes, due January 2, 1920-1924, at prices to yield 7¼% to 7½%.
- 2,750,000 Arkansas Louisiana Highway District 6% Bonds, due Sept. 1, 1921-1939, at prices to yield 5.50%.
- 1,650,000 Barber Company, Akron, Ohio, 7% Notes, due January 1, 1922, at 98¼ and interest, yielding better than 7¼%.
- 1,000,000 Bird & Son, Inc., 6% Notes, due January 1, 1929, at 98¼ and interest, yielding about 6.20%.
- 4,000,000 Brunswick-Balke-Collender Co. 6% Notes, due January 1, 1920-1929, at prices to yield 6% to 6.55%.
- 7,500,000 Canadian Northern Railway 6% Equipment Trust Certificates due July 1, 1919-1929, at prices to yield 6% to 6¼%.
- 10,000,000 Cities Service Company 7% Debentures, due January 1, 1966, at 100 and interest, yielding 7%.
- 2,500,000 Cleveland Electric Illuminating 5% Bonds due April 1, 1939, at 94¼ and interest, yielding about 5.45%.
- 2,500,000 Cohoes Power & Light Corp. 6% Bonds due January 1, 1929, at 102¼ and interest, yielding over 5.65%.
- 5,000,000 Laclede Gas Light Company 7% Bonds, due January 1, 1929, at 100 and interest, to yield 7%.
- 1,000,000 Little River Drainage District, Mo., 3½% Bonds, due October 1, 1934-1935, at prices to yield 5¼%.
- 700,000 Michigan Light Company 5% Bonds, due March 1, 1946, at 89 and interest, yielding 5.80%.
- 3,600,000 Milwaukee Electric Railway & Light Co. 7% Notes due November 1, 1923, at 100 and interest, yielding 7%.
- 700,000 Municipal Service Company 6% Bonds due December 1, 1928, at price to yield 7%.
- 25,000,000 New York Telephone Company 6% Debentures, due February 1, 1949, at 101 and interest, yielding about 5.93%.
- 1,000,000 Northwest Utilities Company 6% Notes due January 1, 1922-1929, at prices to yield 7%.
- 1,265,000 Pacific Power & Light Company 5% Bonds, due August 1, 1930, at 89¼ and interest, yielding over 6¼%.
- 3,000,000 Public Utilities Company, Evansville, Ind., 6% Bonds, due January 1, 1929, at 95¼ and interest, yielding 6.65%.
- 8,000,000 Southern California Edison Company 6% Bonds, due February 1, 1944, at 98 and interest, to yield 6.16%.
- 8,000,000 Southern California Edison Company 7% Debentures, due January 15, 1921, to 1928, at par and interest.
- 2,900,000 Washington Water Power Company 6% Notes, due February 2, 1920, at 99¼ and interest, yielding about 6¼%.
- 1,603,000 Jersey City, N. J., 4¼% Bonds, due December 1, 1920-1958, at prices to yield 4¼%.
- 5,000,000 Miami Conservancy District 5½% Bonds, due December 1, 1927-1946, at prices to yield about 5%.
- 3,000,000 Province of Ontario 5% Bonds, due January 1, 1922, at price to yield 5¼%.

British Imperial Problems.

The election of the Coalition Government in Great Britain, composed as it is largely of members of the Unionist party, and the disruption of the Liberal party, with the removal from public life of so many of its old chiefs, probably means that a definite policy will be adopted to promote closer industrial relations throughout the Empire. Mr. Asquith, who is defeated, was an uncompromising advocate of the policy of Free Trade, and it is probable that his chief reason for standing out against the maintenance of a Coalition ministry dur-

ing the period of reconstruction was his wish to keep himself free to oppose the various proposals for imperial preference, protection to home industries and tariff alliances which he anticipated. He believed that the general policy of Free Trade was vindicated by the strength which England displayed in the war, and while he might have conceded that certain important branches of industry had been unwisely neglected, and possibly that the influence or patronage of the government should be exerted in such instances, his attitude in the main was unchanged.

Lloyd-George has been always a member of the Liberal party, and a supporter of Free Trade, but his interest in it has been less pronounced than in other policies, and he is distinctly an opportunist, using that word in no objectionable sense but to mean that he feels free to deal in what he considers a practical manner with situations as they arise. Without doubt the master purpose in his mind now is to develop the resources of the British Empire and draw together in interest as closely as possible its scattered parts. A majority of his colleagues in the ministry are probably favorable to a system of preferential tariffs within the Empire.

Imperial Ties.

Of course all British statesmen desire the development of imperial resources and to strengthen the ties of interest between the dominions and the mother-land. The real question is whether with their diverse interests any general imperial policy which puts constraint upon the natural expansion of their trade will serve these purposes.

England is keenly appreciative of the wonderful spirit manifested by the dominions in rallying to her support in the war, but men like Mr. Asquith attribute this spirit to the absolute freedom enjoyed by the dominions in the management of their own affairs. They say that the union which exists in the British Empire is held together by common ideals, and would be weakened rather than strengthened by an attempt to tie up their interests in any manner which might develop antagonisms.

Of course the British Parliament would not assume to pass tariff legislation applying to overseas dominions, but would it be practicable for an Imperial Parliament to do so, or for the dominions acting separately to conform their legislation to a common policy for the purpose of favoring trade within the Empire? They have done this to some extent, but the results have not been marked. The Canadian tariffs give a preference to Great Britain, but

the flow of trade between Canada and the United States apparently has not been materially affected thereby. The fact is that the duties are designed primarily to promote manufactures in Canada and when these do not supply the market the business by reason of proximity and choice of articles comes naturally to this country. At this moment, when the devotion of the Canadian people to the mother country is beyond all question, the western provinces are agitating for a reciprocity treaty which will give closer relations with the United States. And so the attitude of Australia, with all the evidences she has given of loyalty to Great Britain, is that of an independent country which wishes to increase her prosperity by trade relations wherever they can be advantageously formed.

Preferential Tariffs.

Preferential tariffs in the dominions in favor of British products naturally call for similar favors for dominion products in Great Britain, and here the chief difficulty of the proposal arises, because the latter products are almost wholly food stuffs and raw materials, the cost of which the people of England cannot afford to have increased by any policy of discrimination. Her position as an exporter of manufactures to the markets of the world will not permit her to either raise the cost of her raw materials or the cost of living to her population. She gets her food supplies now largely from South America, and has a large market there for her goods; she cannot afford to discriminate against this trade and this is illustrative of other relations.

The London Economist in its issue of August 24, 1918, after a tabular statement of the imports of the United Kingdom from India and the dominions, for 1913, the last full year of trade, sums up its conclusions as follows:

Out of merchandise to the value of just under \$750,000,000 imported into the United Kingdom from Australia, Canada, India, New Zealand, and South Africa goods only to the value of \$24,016,110 can, even under the rough headings of official classification, be classed as manufactures, and when these items are further dissected even this paltry total (of which the share of the four Dominions is only just over \$7,500,000 would probably have to be largely reduced.

The unity and perpetuity of the British Empire is assured by the events and sacrifices of the past four years. It has been shown to be a real union by the greatest of trials, but there are evidently some serious obstacles to making it a geographical or industrial entity. It is a question whether there is any better way to secure its unity than by allowing each of the dominions to seek its own highest prosperity in its own way.

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